A HISTORY OF VIRGINIA BANKS AND BANKING PRIOR TO THE CIVIL WAR

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George B. Cortelyou esq
Secretary of the Treasury
with Compliments of The [illegible]

A History of Virginia Banks and Banking Prior to the Civil War

WITH AN ESSAY ON THE
BANKING SYSTEM NEEDED

BY

WILLIAM L. ROYALL

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I dedicate this Book to the Banks and Bankers of the United States, who, if left alone, would supply the country with an abundance of Sound Currency.

PREFACE

The Constitution of the United States, which provided for this country the true system of finance, contemplated that the Government of the United States should coin the precious metals into money and regulate the value thereof, and this was to be the only money the country was to have, except foreign coins, the value of which Congress would fix. The United States Government was to make such issues of paper currency as it chose to issue (not legal tender, however), and agencies of the States were to issue such paper currency as the States would allow (not legal tender). We operated under this system until the civil war came on, and when that event occurred we were fast working down to a bearing; and though somewhat retarded by the "wild and woolly West" with its endless succession of "wild-cat" bank issues, we would long before this have finally and firmly established the true financial system if there had been no civil war. But that cataclysm upset everything and finally terminated with the Supreme Court of the United States declaring that Congress could

make a piece of green paper bearing an indefinite promise to pay a dollar, that dollar itself; a thing that the Almighty alone could do, and even He would have to change the laws of the universe before He could accomplish it.

This doctrine has resulted in the people of the United States becoming so wedded to the idea of a paper dollar good all over the country that it would be idle for a writer to attempt to stem that current. The wise man, instead of attempting the impossible, deals with conditions as he finds them, and though our financial system is all wrong theoretically, yet it is possible to make it subserve our purposes in practice. The following pages are devoted to an effort to so modify our present financial system as to make it subserve the necessities of the people.

William L. Royall.

CHAPTER I

Banking, according to modern methods, did not exist in Virginia prior to the year 1804. During all the Colonial period and, even more so, after the Revolution, voluntary associations, called unchartered banks, did a banking business, including the issue of currency notes. In the early part of the nineteenth century this business had become a very extensive one,* and the unchartered banks operated all over the State; but they rested entirely on individual effort, and the State had no part or lot in them. It would be as unprofitable now to follow them in the details of their operations as it would be to record the battles of the Kites and the Crows, from which John Milton turned with such disgust.

In 1804 the legislature began passing a series of acts intended to force those unchartered banks to cease doing business,† and by 1820 they had generally wound up and ended their operations.

In 1804 the legislature chartered the Bank of Virginia and its branches,‡ and this was the beginning of the Virginia banking system that by 1860 had grown and developed into the most perfect banking system that the world has ever seen.

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*Wilson *vs.* Spencer, 1 Rand. Rep. 84-85.

†Rev. Code, 1819, Ch. 2, p. 111; where a reference to all of the acts can be seen.

‡Rev. Code, 1819, Ch. 2, p. 67.

The scheme of the Bank of Virginia's charter did not contemplate the establishment of one bank with authority to it to establish branches at particular places. The idea was that there should be a bank with a capital of $1,500,000, divided into shares of $100 each, and that an office should be opened at Richmond for the subscription by citizens of Richmond to 3,750 shares, and that one should be opened at Norfolk for the subscription by citizens of Norfolk to 3,000, that an office should be opened at Petersburg for the subscription by citizens of Petersburg to 2,250 shares, and that the same should be done at Fredericksburg for 1,500 shares, at Winchester for 525 shares, at Staunton for 450 shares, at Lynchburg for 525 shares; and that there should be a president and board of directors for the management of the Central Bank at Richmond, and a president and board of directors at each of the branches for the management of the affairs of each branch. It will thus be seen that it was one great bank, having offices at a number of places, the office at each place getting its resources from the people of that place and being managed by them; and that a stockholder at Lynchburg, for instance, was not a stockholder of the Lynchburg branch, but a stockholder in the great Bank of Virginia that spread its tentacles all over the State.

It was provided in the charter that as soon as enough stock was subscribed for by individuals to make it certain that the bank would be organized, the State was to subscribe for 3,000 shares. The bank was given authority to issue notes, but they were not to exceed $4,500,000 above the amount of its deposits, and its notes were to be received in payment of all taxes due the State.

This bank immediately went into operation, and had a career of unbroken success until destroyed by the civil war. Tempted by the success of the Bank of Virginia and its branches, in 1812 other parties got a charter for the Farmers Bank of Virginia, with its branches.* This was to have a capital of $2,000,000, divided into shares of $100 each, and the State was to subscribe for $334,000 of the stock.

The charter of this bank was almost identical with that of the Bank of Virginia. The Central Branch at Richmond had $416,600 of the capital, Norfolk had the same. Lynchburg had $166.600, Winchester the same; Petersburg had $208,300, Fredericksburg $166,600, Staunton $125,300. The bank was authorized to issue notes, but these were never to exceed $6,000,000 over and above its deposits, and they were to be received in payment of all dues to the State.

This bank immediately commenced business, and had a most successful career until it was destroyed by the civil war. The success of these

*Rev. Code, 1819, Ch. 2, p. 82.

two banks and their branches caused the business to grow in favor, and several more banks with branches were chartered from time to time; notable amongst which was the Exchange Bank of Virginia, with a capital of $3,000,000 and branches in many parts of the State. An account of the chartering of all the banks that existed in the State in 1860 may be seen in the Code of 1860, page 338, note to chapter 58, section 1.

I do not propose to follow the operations of Virginia's banks in detail from 1804 to 1860. The United States was a new country, growing in that time to adolescence. There was at the beginning but little accumulated capital; each section had to devise its own banking system, with but little in history to guide it, and the long period of ups and downs and financial panics and disasters that the country had to go through as a whole, and each section separately, is not at all to be wondered at.

Virginia's experience in the period between 1804 and 1860 was the experience of all the other States. There were suspensions of specie payment and then resumptions, panics succeeded by calms, and days of prosperity after days of disaster; and generally Virginia had the same sort and kind of experience that her sister States had. But her people were waxing wise through it all, and in the end they worked out a most admirable system.

There would be but small profit in following the operations of Virginia's banks through this

long period of change and vacillation when her system, as it ultimately developed, was being worked out. What we want is to see the system in its flower and to see how it then suited the needs and purposes of those for whose use it was intended.

I have selected the beginning of 1860 as the period best calculated to show just how Virginia's banking system suited her people, and I shall point out the important lessons that that system teaches. But before doing so I shall state from the records the banks that she had, their location and their general condition. The State required the banks to make quarterly reports to the Governor of their condition, and the Governor sent these reports to the legislature with his annual message. All the tables that follow are taken from the reports sent in by the Governor for the year 1859, and are bound up as Document No. 14 with the message, commencing at page 1293, to be found in the State Library. It is labeled "Bank Statements, 1859." They make a complete photograph of Virginia's financial condition at the beginning of 1860.

One other circumstance should also be stated. For some time the policy of setting up banks with large capital and a number of branches was adhered to, but after a while the people commenced establishing banks with small capital and no branches, called independent banks. The tables following will show which were banks with branches and which were independent banks:

General State of the Bank of Virginia

AS

	Outstanding Debt.	Virginia State Bonds.	Real Estate.	Stocks.	Specie.
Richmond. ...	$1,446,401 70	45,000 00	38,500 00	85,600 00	62,641 67
Norfolk........	355,081 34	....	35,630 00	3,080 00	26,553 57
Petersburg ...	472,361 07	....	27,424 93	2,191 30	30,638 17
Fredericksburg	455,749 05	....	10,360 71	....	15,685 00
Lynchburg ...	577,759 14	....	8,383 56	....	67,396 93
Danville.......	225,135 19	....	15,299 67	....	27,715 99
Charleston	252,193 87	25,000 00	10,000 00	....	151,690 65
Buchanan......	239,615 81	10.000 00	8,380 33	10,000 00	28,941 40
Portsmouth ...	376,068 12	....	25,152 54	....	9,617 73
Union	239,425 16	12,000 00	....	....	53,261 86
	$4,639,790 45	92,000 00	179,131 74	100,871 30	474,142 97

LIAB

	Capital Stock.	Profit and Loss.	Discounts, Interest, &c.
Richmond......	$861,250 00	11,666 05	25,266 80
Norfolk.........	200,000 00	800 00	8,039 15
Petersburg.....	300,000 00	....	10,145 53
Fredericksburg	290,000 00	7,449 70	9,073 61
Lynchburg	300,000 00	....	11,066 39
Danville.......	125,000 00	19,314 19	4,798 67
Charleston.....	150,000 00	18,505 57	6,234 51
Buchanan......	125,000 00	13,368 59	5,099 09
Portsmouth.....	225,000 00	....	7,649 29
Union	75,000 00	50,675 00	4,779 12
	$2,651,250 00	226,779 10	92,152 16

and Branches on the 1st day of October, 1859.

SETS.

In Notes of the Branches.	In Notes of other Banks Payable in the State.	In Notes of other Banks Payable out of the State.	Due from the Branches.	Due from other Banks.	Expenses.	Loss by Robbery.	Aggregate.
69,245 00	127,111 41	....	40,812 88	30,980 29	6,398 59	......	....
....	7,260 42	3,814 00	4,406 77	4,915 48	325 51	......	....
2,000 00	3,835 00	1,730 00	5,411 42	5,481 83	6,003 15	......	....
2,630 00	5,213 87	180 00	....	6,500 34	2,069 24	......	....
3,760 00	17,539 46	665 00	1,018 63	32,369 93	2,873 55	......	....
615 00	1,197 72	....	958 24	3,912 33	1,203 46	......	....
12,715 00	4,435 00	365 00	27,164 90	14,512 90	1,947 46	......	....
....	761 92	....	5,061 43	2,465 23	1,464 37	......	....
60 00	520 00	2,712 37	753 15	370 40	2,076 39	18,900	....
165 00	18,645 00	6,180 00	6,121 83	7,345 36	1,059 70	......	....
91,190 00	186,519 80	15,646 37	91,709 29	108,854 09	25,421 42	18,900	6,024,177 43

ILITIES.

Circulation.	Due to the Branches.	Due to other Banks.	Deposit Money.	Aggregate.
106,041 33	28,417 88	99,847 63	715,201 85	....
93,320 00	10,376 28	48,616 64	79,915 02	....
121,190 00	5,472 29	1,993 91	118,275 14	....
71,330 00	4,576 56	14,863 85	101,094 49	....
251,867 50	7,825 39	14,510 57	126,496 35	....
108,655 00	4,687 49	1,825 91	11,756 34	....
145,315 00	....	2,468 74	177,500 96	....
140,665 00	821 92	934 82	20,801 07	....
94,835 00	5,728 02	48,410 67	54,607 72	....
135,510 00	1,137 04	1,829 87	75,272 92	....
1,268,728 83	69,042 87	235,302 61	1,480,921 86	6,024,177 43

State of the Farmers Bank of Virginia, Includ

AS

	Debt Outstanding.	Sterling Bills.	Stocks.	Specie.
Richmond......	$1,625,997 80	5,717 88	19,900 53	125,144 08
Norfolk........	417,710 71	....	....	24,824 00
Petersburg......	440,239 96	3,333 34	....	18,936 59
Fredericksburg..	443,553 65	....	....	16,500 84
Lynchburg......	512,344 45	4,911 11	....	45,682 93
Winchester......	372,080 71	....	....	34,031 05
Danville........	276,847 13	....	....	65,733 76
Farmville	332,362 86	....	....	35,370 83
Charlottesville..	237,089 84	....	....	47,241 99
Wytheville......	271,376 72	....	....	44,064 55
Alexandria......	561,490 66	....	21,526 23	24,680 25
Lewisburg.......	230,152 00	....	....	47,229 77
Blacksburg.....	227,129 06	....	....	29,555 86
	$5,948,375 55	13,962 33	41,426 76	558,996 50

LIAB

	Capital Stock.	Notes in Circulation.	Individual Deposits.
Richmond......	$854,500 00	167,773 00	798,805 04
Norfolk..........	290,000 00	51,433 00	107,171 20
Petersburg.......	270,000 00	84,840 00	102,761 10
Fredericksburg..	260,000 00	58,782 00	127,006 22
Lynchburg.. ...	325,000 00	170,431 00	47,368 48
Winchester......	200,000 00	154,856 00	43,508 96
Danville.........	155,000 00	148,827 00	39,563 61
Farmville.......	168,100 00	156,351 00	79,772 70
Charlottesville..	116,400 00	100,162 00	69,447 06
Wytheville......	136,900 00	160,932 00	37,953 79
Alexandria......	300,000 00	104,888 00	234,187 48
Lewisburg.......	15,000 00	123,936 00	41,571 20
Blacksburg......	60,000 00	146,274 00	7,042 64
	$3,150,900 00	1,629,485 00	1,736,159 48

ing the Branches, on the 1st day of October, 1859.

SETS.

Notes of other Banks in Virginia.	Notes of other Banks out of Virginia.	Due by other Banks.	Real Estate.	Loan to Commonwealth in Treasury Notes.	Aggregate of Assets.
136,101 92	3,030 95	28,306 86	55,685 43	44,300 00	....
7,833 00	2,825 00	5,907 20	17,762 22	....	....
5,286 01	....	4,529 32	27,274 21	....	....
3,621 00	777 00	3,961 86	9,000 00	....	....
7,293 00	....	10,518 90	12,202 35	....	....
2,239 00	381 00	3,209 63	12,335 00	....	....
8,900 00	130 00	5,015 86	5,765 63	....	....
360 00	....	16,444 28	10,006 33	....	....
12,431 09	6,959 00	5,863 00	8,503 12	....	....
3,100 00	....	9,231 95	12,309 00	....	....
7,275 00	....	31,246 17	11,249 50	....	....
1,150 00	1,030 00	5,366 82	....	....	....
1,378 00	....	4,316 54	7,524 56	....	....
196,968 02	15,132 95	133,918 39	189,617 35	44,300 00	7,142,697 85

ILITIES.

Due to other Banks.	New Surplus and Contingent Fund.	Profits.	In transitu Between Bank and Branches.	Aggregate of Liabilities.
43,694 80	158,233 89	23,255 69	19,247 29	....
16,709 99	1,171 14	6,355 08	....	....
21,357 75	....	6,015 79	....	....
14,899 76	4,152 77	5,236 05	....	....
24,589 25	3,295 08	6,286 50	....	....
17,521 57	....	6,104 30	....	....
3,801 34	....	4,048 44	....	....
4,548 79	....	6,301 22	....	....
15,726 89	....	2,900 50	....	....
3,133 55	....	4,303 44	....	....
20,144 25	14,256 56	8,909 54	....	....
2,516 69	100,000 00	4,050 48	....	....
1,409 36	50,000 00	1,975 62	....	....
190,053 99	331,109 44	85,742 65	19,247 29	7,142,697 85

Statement of the Condition of the Exchange Bank of Vir

AS

BANK AND BRANCHES.	Local Loans.	Inland Bills Purchased.	Foreign Bills.	Virginia Treasury Notes, &c., &c.	Suspended Debt, &c.	Due by Bank and Branches.	Due by other Banks.
Parent Bank...	$580,044 10	41,286 61	....	....	....	9,994 44	5,302 19
Richmond Branch....	859,256 05	381,732 47	10,884 95	....	....	17,095 59	36,337 37
Petersburg Branch...	395,202 89	490,891 28	9,829 08	....	....	....	2,219 06
Clarkesville Branch...	411,016 47	185,413 93	....	1,300	832 28	61,833 59	10,816 36
Alexandria Branch...	276,863 96	43,357 87	....	1,500	....	396 35	13,867 98
Abingdon Branch	280,486 42	....	....	....	....	35,901 19	4,575 31
Salem Branch.........	168,559 41	24,250 45	....	....	....	1,083 92	1,111 99
Weston Branch.......	234,760 84	11,095 19	....	89,100	... .	3,686 97	3,152 77
Lynchburg Branch....	438,087 26	307,986 10	....	3,107	5,898 99	....	4,846 35
	$3,644,277 40	1,486,013 90	20,714 03	95,007	6,731 27	129,992 05	82,229 38
					B	98,871 01	
						$31,121 04	In trans

LIAB

BANK AND BRANCHES.	Capital.	Circulation.	Due to Bank and Branches.	Due to other Banks.	Dividends Unclaimed.
Parent Bank..........	$400,900 00	124,687 00	8,909 83	40,139 82	1,341 00
Richmond Branch....	748,300 00	67,156 50	38,595 42	13,683 84	338 00
Petersburg Branch....	572,100 00	157,804 00	36,382 04	22,246 17	2,781 50
Clarkesville Branch..	300,000 00	312,508 00	1,035 90	8,584 27	667 00
Alexandria Branch...	265,800 00	48,552 00	2,497 16	14,018 01	651 50
Abingdon Branch....	150,000 00	172,827 00	166 26	3,898 95	....
Salem Branch.........	101 500 00	90,671 00	659 32	6,991 06	....
Weston Branch......	150,000 00	212,044 50	142 78	4,585 78	....
Lynchburg Branch...	400,000 00	312,200 00	10,482 30	54,175 93	....
	$3,088,600 00	1,498,450 50	98,871 01	170,323 83	5,779 00
		A 61,081 00	B		
Net circulation 30th Sept., 1859,		$1,437,369 50			

ginia and Its Branches on the 30th day of September, 1859.

SETS.

Banking-Houses, &c.	Real Estate Acquired.	Notes, &c., of Bank and Branches.	Notes, &c., of other Virginia Banks.	Notes, &c., of Banks Elsewhere.	Specie.	Expenses.	Offsets to Contingent Fund.	Current Profit and Loss.	Aggregate of Assets.
46,383 74	....	....	13,087 00	2,286 00	30,302 12	3,322 25	7,568 88	....	....
33,979 96	....	50,396	97,619 69	....	66,625 83	6,650 44	....	....	....
25,240 00	....	9,940	12,932 00	7,629 00	39,246 05	4,004 53	3,341 46	....	....
8,661 81	1,700 92	475	25 00	2,385 00	72,064 10	2,503 14	....	....	....
5,167 15	10,298 55	....	11,139 00	1,664 47	14,371 87	2,718 57	15,276 94	884 28	....
14,119 45	....	....	2,550 00	... .	56,078 49	1,401 97	....	....	....
2,948 65	....	100	6 265 00	... .	18,243 07	1,237 81	450 27	....	....
8,376 39	....	170	1,510 00	440 00	64,388 09	1,419 37	....	155 15	....
17,500 00	....	....	7,063 21	....	73.890 61	3,344 54	....	....	....
162,377 15	11,999 47	61,081	152,190 90	14,404 47	435,210 23	26,602 62	26,637 55	1,039 43	6,356,507 85
		A				E	C	D	

itu, bank and branches.

ILITIES.

Deposits.	Contingent Fund.	Discount and Interest.	Exchange.	General Profit and Loss.	Current Profit and Loss.	Aggregate of Liabilities.
153,934 57	....	9,164 44	500 67	....	....	....
522,728 27	137,125 44	25,627 06	1,464 54	....	5,559 28	....
190,369 63	....	18,062 27	729 74	....	....	....
57,944 63	64,463 71	13,187 12	636 97	....	....	....
59,029 58	....	6,790 05	168 69	....	....	....
58,116 02	4,368 64	5,606 87	129 09	....	....	....
18,200 34	....	4,162 85	66 00	....	....	....
23,708 75	22,191 53	5,352 01	229 42	....	....	....
66,598 69	3,699 71	14,546 20	20 73	....	....	....
1,150,630 48	231,849 03	102,498 87	3,945 85	....	5,559 28	6,356,507 85
	C 26,637 55				D 1,039 43	
	$205,211 48				$4,519 85	

STATEMENT OF THE CONDITION OF THE BANK OF BERKELEY IN VIRGINIA, SEPTEMBER 30, 1859.

ASSETS.

Wheeling City guaranteed and State bonds...............		$100,000 00
Premium paid on above bonds		5,000 00
Inland bills of exchange.....	$45,602 31	
Bills receivable..............	32,212 00	
		77,814 31
Current expenses............		127 58
Bank property...............		257 25
Due by banks...............		8,605 97
Notes of other banks........		1,805 00
Gold, silver and copper coin.		18,578 49
		$212,188 60

LIABILITIES.

Capital stock paid in.....................	$100,000 00
Notes of the bank in circulation............	55,085 00
Discounts and exchange received..........	1,229 72
Dividends unpaid..........................	297 50
Surplus	8,035 70
Due to other banks.......................	3,088 50
Deposits	44,452 18
	$212,188 60

QUARTERLY STATEMENT OF THE BANK OF CHARLESTON, VA., TO OCTOBER 1, 1859.

ASSETS.

	1859.	1858.
Bills of exchange...........	$128,632 90	$91,096 48
Bills receivable..............	64,277 77	41,892 16
Bills in judgment...........	5,000 00	....
Bonds and stocks...........	45,488 53	44,368 53
Real estate.................	14,000 00	....
Personal property and expense account.............	22,003 59	3,429 41
Suspense account............	20,878 01	....
Stock held by bank..........	24,000 00	100,000 00
Due from banks and bankers.	70,574 88	61,936 32
Cash, in transitu............	8,043 00	1,000 00
Gold and silver.............	20,043 72	13,175 47
Currency and cash items....	2,972 04	1,289 26
Currency and cash items....	8 65	....
	$425,923 09	$358,187 63

LIABILITIES.

	1859.	1858.
Capital stock...............	$300,000 00	$300,000 00
Kanawha outstanding.......	5,145 00	19,123 00
Bank of Charleston outstanding	93,050 00	30,145 00
Deposits	21,635 83	6,545 80
Exchange account and discounts and interest........	6,085 10	2,369 40
Due to banks and bankers....	7 16	4 43
	$425,923 09	$358,187 63

COMPARATIVE STATEMENT OF THE CONDITION OF THE BANK OF COMMERCE AT FREDERICKSBURG, VA., ON THE 1ST OF OCTOBER, 1858, AND THE 1ST OF OCTOBER, 1859.

ASSETS.	1858.	1859.
Virginia State stocks and guaranteed bonds	$146,800 00	$120,800 00
Premiums on same	9,900 24	9,900 24
Bills and notes discounted	129,773 85	115,432 14
Bills and notes protested	6,201 52	22,939 97
Banking house, furniture, etc.	2,000 00	2,000 00
Interest on Chesapeake and Ohio Canal bonds, unpaid.	240 00	240 00
Interest on James River and Kanawha bonds, unpaid	....	352 50
Current expenses, including salaries	954 62	804 54
Due by banks and bankers	2,424 46	3,360 67
Cash:		
Notes of banks incorporated by State	1,070 00	435 00
Other banks	200 00	....
Specie—gold, silver and copper	17,504 14	18,891 76
	$317,068 83	$295,156 82

LIABILITIES.	1858.	1859.
Capital stock subscribed and paid in	$196,800 00	$169,500 00
Circulation	84,530 00	90,750 00
Discount and interest	1,311 31	1,603 37
Due to banks and bankers	4,918 05	5,268 30
Due to individual depositors.	13,593 10	20,574 11
Exchange premiums received.	3,016 37	1,461 04
Contingent fund	900 00	6,000 00
Bills payable	12,000 00	....
	$317,068 83	$295,156 82

STATEMENT SHOWING THE CONDITION OF THE FAIRMONT BANK, OCTOBER 1, 1859.

ASSETS.

Bonds guaranteed by the State	$60,000 00
Banking-house and lot	2,948 04
Stock of this bank	1,750 00
Personal property	1,079 80
Interest due from the State	1,800 00
Bills receivable	33,269 36
Domestic bills	10,253 32
Due from banks	908 23
General expense account	499 48
Specie—gold	7,995 80
silver	1,070 41
Notes of Virginia banks	4,348 00
Notes of other States	200 00
	$126,122 44

LIABILITIES.

Capital stock	$57,950 00
Circulation	43,060 00
Surplus	3,882 28
Dividends unclaimed	469 50
Exchange account	307 75
Discounts and interest	679 31
Due to banks	7,887 07
Due to depositors	11,886 53
	$126,122 44

Statement of the Condition of the Bank of Howardsville, Va., on 1st day of October, 1859, Compared with 1st day of October, 1858.

ASSETS.	1859.	1858.
State of Virginia and guaranteed bonds deposited with the Commonwealth........	$180,308 35	$202,608 35
Property of the bank and permanent expenses..........	1,515 00	1,716 96
Bills receivable—loans to Directors	24,627 48	14,259 47
Bills receivable — loans to others (all inland)........	101,292 21	143,218 79
Bills protested..............	1,884 65	....
Interest due on guaranteed bonds	537 00	....
Due from banks and bankers.	4,666 82	3,811 40
Exchange	....	4 14
Incidental expenses.........	....	43 16
Salaries	625 00	625 00
Cash on hand, viz:		
In specie....................	30,096 42	34,284 82
In notes of this bank........	31,221 00	8,216 00
In notes of other banks and checks	7,275 08	12,049 61
	$384,049 01	$420,837 70

LIABILITIES.	1859.	1858.
Capital stock................	$165,000 00	$181,000 00
Notes of this bank in circulation	133,779 00	172,784 00
Notes of this bank on hand.	31,221 00	8,216 00
Deposits (including certificates)	24,394 02	31,967 93
Contingent fund............	10,920 96	13,226 70
Discount and interest........	3,975 66	5,433 67
Exchange account...........	177 96	....
Due to banks and bankers...	14,580 41	8,209 40
	$384,049 01	$420,837 70

Quarterly Statement of the Bank of the Old Dominion and Branch at Pearisburg, September 30, 1859.

ASSETS.

Bills and notes discounted	$396,783 70
Virginia State stock and guaranteed bonds.	340,000 00
Banking-house	11,501 47
Property account	265 81
Current expenses	2,871 10
Interest due by the State of Virginia	1,030 46
Due by banks and bankers	16,194 03
Notes of and checks on banks in the State.	17,446 16
Notes of banks out of the State	130 00
Coin	40,390 42
Stocks	7,121 86
	$833,735 01

LIABILITIES.

Capital stock	$403,900 00
Due to banks and bankers	59,249 39
Individual deposits	122,069 79
Discount and interest account	3,995 76
Contingent fund	20,260 00
Circulation	221,760 00
Unpaid dividends	2,168 00
Exchange account	144 21
Surplus fund	187 86
	$833,735 01

Statement of the Condition of the Bank of Philippi, on the Evening of the 30th of September, 1859.

ASSETS.

Bills of exchange bought...		$1,500 00
Bills and notes receivable...		66,604 00
Gold and silver coin on hand.	$5,931 20	
Sight exchange on Baltimore.	5,642 40	
Funds at agency in Richmond.	*6,054 26	
		17,627 86
Notes on hand of this bank.		3,915 00
Notes on hand of other solvent banks................		1,130 00
Cash items..................		184 47
Due from banks and bankers.		162 52
Exchange account..........		116 80
Interest due from James River and Kanawha Company		219 00
State stocks deposited with treasurer		74,400 00
Permanent expense account..		1,140 00
Salary account.............		312 50
		$167,312 15

*Exchange deposited for redemption of notes.

LIABILITIES.

Bills of circulation..........	$74,400 00	$74,400 00
Less notes on hand.........	3,915 00	
Actual circulation.......	$70,485 00	
Capital stock................		74,400 00
Contingent fund............		4,110 00
Deposits, including certificates		10,350 16
Due to banks and bankers...		1,998 14
Discount and interest account		2,053 85
		$167,312 15

A COMPARATIVE STATEMENT OF THE CONDITION OF THE BANK OF ROCKBRIDGE, OCTOBER 1, 1858, AND OCTOBER 1, 1859.

ASSETS.	1858.	1859.
State bonds deposited with treasurer	$125,000 00	$150,000 00
Coin in bank	21,825 28	17,502 42
Coin in Bank of Commonwealth, for purpose of redemption		6,042 36
Office notes in bank	24,525 00	33,330 00
Office notes in Bank of Commonwealth		6,000 00
Notes of other banks	1,208 00	288 00
Checks		36 00
Bills and notes discounted	83,227 83	117,995 25
Expense account	138 95	106 16
Salary account	550 00	575 00
Property account	2,122 89	2,140 39
James River and Kanawha Company		343 50
Due from banks in the State	8,033 49	925 23
Due from banks out of the State		236 12
	$266,631 44	$335,520 43

LIABILITIES.			1858.	1859.
Capital stock			$101,100 00	$125,000 00
Notes issued of the following denominations:	1858.	1859.		
Fives	$15,950 00	$27,320 00		
Tens	42,900 00	56,530 00		
Twenties	40,000 00	40,000 00		
Fifties	26,150 00	26,150 00		
	$125,000 00	$150,000 00	125,000 00	150,000 00
Less notes on hand	24,525 00	39,330 00		
Actual circulation.	$100,475 00	$110,670 00		
Deposits			28,670 96	42,335 04
Discount and interest			2,113 74	3,031 88
Dividends unpaid			5 00	
Exchange			96 01	76 70
Contingent fund			4,815 00	6,250 00
Profit and loss			1,057 90	612 01
Due to banks in the State			3,104 21	7,387 04
Due to banks out of the State			668 62	827 76
			$266,631 44	$335,520 43

Condition of the Bank of Rockingham on the 1st day of October.

ASSETS.

Virginia stocks and guaranteed bonds		$260,380 00
Premium account		11,476 80
Current expenses		132 23
Permanent expenses		2,392 71
Real estate		3,266 67
Outstanding debt		147,788 34
Amount due from other banks and bankers		67,350 06
Notes of other Virginia banks		5,999 00
Foreign bank notes		466 00
Wheeling City coupons unpaid, due January 1, 1859		1,800 00
James River and Kanawha Company interest unpaid		243 00
Checks, etc.		243 26
Coin in vault	$40,452 83	
In transitu	2,500 00	
		42,952 83
		$544,490 90

LIABILITIES.

Capital stock	$211,200 00
Notes in circulation—5s, 10s, 20s and 50s	181,605 00
Bills payable	15,000 00
Contingent fund	16,000 00
Dividends unpaid	524 00
Discount and interest	3,136 63
Exchange	409 08
Deposits	105,026 72
Amount due to other banks and bankers	11,589 47
	$544,490 90

STATEMENT OF THE CONDITION OF THE BANK OF SCOTTSVILLE ON THE 1ST DAY OF OCTOBER, 1859, COMPARED WITH THE 1ST DAY OF OCTOBER, 1858.

ASSETS.		1859.	1858.
Virginia State and guaranteed bonds		$90,128 00	$100,128 00
Permanent expenses.........		1,854 59	1,854 59
Incidental expenses..........		58 85	32 29
Discount on State bonds sold.		587 50	....
Interest due 1st July, 1859, by the James River and Kanawha Company, on their bonds guaranteed by the State		453 00	....
Bills and notes discounted..		70,689 88	68,507 54
Due from other banks......		1,437 93	3,168 08
Cash on hand:			
Notes of this bank.	$10,442 00	....	10,055 00
Notes of other banks in the State and checks......	1,694 11	....	1,796 58
Notes of banks out of the State......	125 00	....	127 00
Specie	16,610 45	....	....
		28,871 56	18,855 67
Exchange		....	87
		$194,081 31	$204,525 62

LIABILITIES.		1859.	1858.
Capital stock................		$77,000 00	$77,000 00
Profit and loss..............		350 73	667 41
Contingent fund.............		3,850 00	3,850 00
Discount and interest.......		732 69	663 48
Exchange		46 04	....
Dividends unpaid............		120 00	135 00
Due to other banks.........		10,701 92	6,674 40
Deposits		11,170 93	15,426 33
Whole amount of notes issued.....	$90,109 00	90,109 00	100,109 00
Deduct notes on hand	10,442 00	....	....
Actual circulation	$79,667 00	....	....
		$194,081 31	$204,525 62

Condition of the Central Bank of Virginia, October 1, 1858, and October 1, 1859.

ASSETS.	1859.	1858.
Virginia securities	$143,905 00	$181,905 00
Premium account	9,005 90	9,024 83
Outfit	3,684 51	3,684 51
Real estate	11,850 46	11,633 74
Outstanding debts	163,382 31	159,306 74
Exchange	346 90	14 41
Profit and loss	1,785 57	1,677 14
Due from banks	9,402 13	25,304 64
Coin in vault and at agency	35,899 03	27,111 48
Bank notes and checks	21,982 93	17,907 07
Coupons	....	640 00
	$401,244 74	$438,209 56

LIABILITIES.	1859.	1858.
Capital stock	$201,400 00	$237,200 00
Notes in circulation	128,815 00	127,620 00
Deposits, including certificates	50,363 61	55,311 41
Contingent fund	12,000 00	12,000 00
Bills payable	700 00	700 00
Discount and interest	2,068 14	1,423 10
Unpaid dividends	1,139 00	965 50
Due to banks	4,758 99	2,989 55
	$401,244 74	$438,209 56

Quarterly Statement of the Condition of the Danville Bank, October 1, 1859.

ASSETS.

Notes discounted............	$204,921 88	
Inland bills discounted......	35,375 86	
Foreign bills discounted.....	299,251 25	
		$539,548 99
Due from other banks......		15,687 70
Specie		93,696 92
Notes of banks in this State other than ours...........		4,835 00
Notes of foreign banks.......		230 00
		$653,998 61

The whole of the outstanding debt is considered good.

LIABILITIES.

Capital stock subscribed.....	$300,000 00	
Capital stock unpaid........	10,156 93	
Capital stock paid...........		$289,843 07
Due to other banks..........		30,193 02
Circulation		280,415 00
Deposits		36,943 76
Surplus fund................		7,431 71
Net profits for the last quarter		9,172 05
		$653,998 61

Statement of the Farmers' Bank of Fincastle, October 1, 1859, Compared with the 1st day of October, 1858.

ASSETS.	1859.	1858.
State securities deposited with treasurer of Virginia......	$150,000 00	$171,000 00
Stocks	10,000 00	....
Exchange on New York.....	1,990 81	9,204 80
Specie	30,950 21	33,724 56
Notes of other banks in the State	1,128 00	3,515 00
Notes of other banks out of the State..................	160 00	....
Bills and notes discounted...	102,480 41	114,853 05
Suspended debt..............	8,239 21	5,799 77
Salaries account.............	395 00	326 40
Current expenses............	11 56	56 98
Property account............	724 66	720 66
Permanent expenses.........	325 44	280 68
Due from banks and bankers in the State...............	5,125 73	9,515 80
	$311,531 03	$348,997 70

LIABILITIES.	1859.	1858.
Capital stock................	$150,000 00	$150,000 00
Circulation—5s and 10s......	121,110 00	162,815 00
Discount and interest........	1,935 64	2,060 31
Contingent fund..............	8,075 29	7,580 96
Premium account............	1,221 75	1,874 25
Exchange account...........	57 51	68 76
Special deposits.............	3,950 00	3,950 00
Individual deposits..........	24,172 72	19,900 79
Due to banks in the State...	1,008 12	747 63
	$311,531 03	$348,997 70

STATEMENT OF THE MERCHANTS' BANK OF VIRGINIA, SEPTEMBER 30, 1859.

ASSETS.

Bills and notes discounted	$413,084 27
Cash—gold and silver coin	46,412 86
Bonds of the State deposited in the treasury.	403,402 86
Premium on same	33,552 41
Bonds of the City of Lynchburg	3,000 00
Suspended debt and costs of suits	4,018 85
Real estate, banking-house	5,424 70
Property of the bank	2,677 63
Due from other banks	3,953 02
Exchange account	398 37
Expense account	238 74
Salaries and dividend account	1,310 50
	$917,474 21
Exchange bought during the quarter at par to one-half per cent. premium	$188,124 49
Exchange sold during the quarter at par to one-half per cent. premium	$202,918 89

LIABILITIES.

Capital stock		$500,000 00
Circulation—for notes of the following denominations:		
5s	$61,545 00	
6s	570 00	
7s	693 00	
8s	664 00	
9s	648 00	
10s	137,100 00	
20s	134,400 00	
50s	15,950 00	
100s	31,800 00	
	$383,370 00	
Less notes on hand	145,368 00	
		238,002 00
Due to banks in the State.	$6,676 52	
Due to banks out of the State	51,308 77	
		57,985 29
Due to depositors		85,396 74
Contingent fund		28,341 80
Bonus to State		1,250 00
Tax on dividend		1,166 67
Interest account		5,331 71
		$917,474 21

STATEMENT OF THE CONDITION OF THE SOUTHWESTERN BANK OF VIRGINIA ON THE 30TH OF SEPTEMBER, 1859, COMPARED WITH ITS CONDITION ON THE 30TH OF SEPTEMBER, 1858.

ASSETS.	1858.	1859.
State bonds deposited with treasurer of Virginia......	$109,900 00	$130,000 00
Bills and notes discounted—good	104,298 20	95,015 50
Notes of other Virginia banks	5,446 00	470 00
Specie, viz: gold and silver.	41,449 94	40,885 22
Due from other banks.......	8,521 10	11,681 28
Bank furniture and fixtures.	1,670 00	1,670 00
Salaries and expenses.......	568 75	780 93
Foreign draft...............	1,180 00	....
Due from Commonwealth of Virginia	2,391 00	....
	$275,424 99	$280,502 93

LIABILITIES.	1858.	1859.
Capital stock................	$109,900 00	$109,900 00
Circulation	95,775 00	95,240 00
Individual deposits..........	55,856 85	55,605 32
Due to other banks.........	7,278 47	12,406 88
Surplus fund................	4,925 51	5,563 01
Discount, interest, premiums and profit and loss.......	1,689 16	1,787 72
	$275,424 99	$280,502 93

STATEMENT OF THE CONDITION OF THE NORTHWESTERN BANK OF VIRGINIA, INCLUDING ITS BRANCHES AT WELLSBURG, PARKERSBURG AND JEFFERSONVILLE, ON THE 1ST DAY OF OCTOBER, 1859, WITH A COMPARATIVE STATEMENT OF THE SAME FOR THE CORRESPONDING PERIOD OF THE PRECEDING YEAR.

ASSETS.	1859.	1858.
Domestic debt	$875,940 78	$929,386 97
Bills of exchange	550,248 20	482,129 10
Stock of this bank	27,500 00	25,000 00
Other stocks	28,994 58	29,512 53
Banking-houses and other real estate	128,865 42	121,765 10
Due by other banks and bankers	101,282 62	133,368 81
Notes of Virginia banks	29,397 00	25,943 00
Notes of other banks, checks, etc.	41,084 85	42,238 40
Coin	118,919 33	175,429 16
Expense account	8,240 78	5,120 26
In transitu	19,841 89	....
	$1,930,315 45	$1,969,893 33

LIABILITIES.	1859.	1858.
Capital stock	$868,100 00	$867,100 00
Circulation	623,419 00	667,720 00
Deposits	282,059 21	284,175 15
Due to other banks and bankers	57,714 61	34,788 06
Contingent fund	81,830 80	94,842 98
Discount account	15,534 36	17,380 79
Collection and premium account	1,657 47	1,564 37
In transitu	....	2,321 98
	$1,930,315 45	$1,969,893 33

COMPARATIVE STATEMENT OF THE CONDITION OF THE MONTICELLO BANK, OCTOBER 1, 1859.

ASSETS.	1858.	1859.
Virginia 6 per cent. State securities	$237,374 00	$190,374 00
Premium on State securities.	3,918 74	5,500 48
Interest due on State securities	....	1,813 50
Stocks and bonds purchased.	16,555 00	3,000 00
Real estate, banking-house..	11,325 22	11,887 61
Rent account	....	81 25
Salary account	1,098 88	1,075 01
Incidental expenses	280 15	463 54
Exchange	....	271 .61
Due from banks	51,606 73	35,249 16
Bills and notes discounted..	247,821 36	205,184 88
Protested notes	250 00	150 00
Cash:		
Gold	39,565 00	29,524 00
Silver	686 52	1,388 15
Copper	1 14	03
Notes of this bank	36,712 00	32,830 00
Notes of other banks	1,501 00	8,456 00
Checks of other banks	12,667 84	10,261 59
	$661,363 58	$537,510 81
Amount in the hands of redemption agency, Richmond		$11,021 38
		30,912 18
Total coin		$41,933 55

LIABILITIES.	1858.	1859.
Capital stock	$321,000 00	$247,500 00
Virginia State securities	19,600 00	14,600 00
Contingent fund	21,000 00	20,708 98
Circulation	191,802 00	147,788 00
Circulation on hand	36,702 00	32,830 00
Discount and interest	1,792 10	3,464 82
Exchange	145 67	....
Due to banks	36,026 15	21,406 66
Certificates of deposit	152 50	11,635 50
Deposits	33,133 16	37,576 85
	$661,363 58	$537,510 81

Statement of the Condition of the Merchants and Mechanics' Bank of Wheeling and Branches, October 1, 1859.

ASSETS.

Domestic bills	$664,210 68	
Inland bills of exchange	887,860 13	
		$1,552,070 81
Loaned to Directors		15,610 00
Stocks owned by the bank		141,634 25
Real estate		159,400 57
Bonds and mortgages		50,625 92
Banking-houses		41,565 46
Protests		692 31
Salaries and expenses		4,684 58
Notes of other banks and checks	$63,754 49	
Virginia bonds	45,000 00	
Coin	284,733 31	
Due by banks	251,839 65	
		645,327 45
		$2,611,611 35

LIABILITIES.

Capital stock	$786,200 00
Circulation	1,229,540 00
Dividends	1,656 00
Discounts and exchange and rents	24,300 32
Contingent fund	61,214 55
Deposits and certificates of deposit	413,973 09
Due to banks	94,727 39
	$2,611,611 35

Condition of the Bank of the Valley of Virginia, Including Its Branches, October 1, 1858.

ASSETS.

Specie	$341,732 84
Notes of banks incorporated by the State	141,436 57
Notes of banks incorporated elsewhere	31,635 00
Due from other banks	331,216 47
Notes discounted	1,901,044 40
Inland bills discounted	292,963 60
Virginia treasury notes	25,400 00
Bond account	29,512 06
Stock purchased to secure a debt	8,000 00
Real estate	74,018 74
	$3,176,959 68

LIABILITIES.

Capital stock	$1,215,000 00
Notes in circulation	1,196,619 50
Due to other banks	181,746 94
Surplus fund	134,083 18
Discount	40,499 03
Deposits	409,011 03
	$3,176,959 68

These reports contain the history of Virginia's banks and banking. They show that she had worked her system down to a bearing, and that her system furnished her people an abundance of capital and circulation; that it was a system that answered every demand of her people. She would be blest if she had the same system now.

It is dangerous to assert a negative and I shall not do it, but I have been unable to discover that any Virginia bank ever failed prior to the civil war; or that any man ever lost a dollar by a Virginia bank-note prior to that event. It is also to be noted that in 1860 the general idea of Virginia's sound banking system had become so prevalent that the Virginia bank-notes were at a very trifling discount in New York. The discount was no more than what was necessary to send the note to Virginia and bring back the coin, say one-fourth of one per cent. All of Virginia's banks got their assets into the form of Confederate securities during the civil war, and all of them went out of existence at its close, as the result of that fact.

CHAPTER II

The census of 1860 shows that Virginia, then consisting of the present States of Virginia and West Virginia, had a population of 1,047,411 whites and 490,865 negroes; but the negroes were all, except a small fraction, slaves, incapable of making contracts, and they were not, therefore, to be considered in the case. The foregoing tables show that the white population of 1,047,411 had $15,884,543 of banking capital, and that they had $9,612,560 of circulating notes for currency. The banks were scattered throughout the entire community, which was mainly agricultural, so that there was an abundance of currency and of loanable capital for the use of the people. There were no very wealthy men, but the entire population was well off. This is the result of a system that makes banking perfectly free amongst the people. The National-banking system is centralizing in its tendencies, and produces very wealthy men at the commercial centers, while the great body of the people are to a large extent denied banking facilities.

These tables, when carefully studied, present some most interesting suggestions. Before deal-

ing with these, however, it is well that we should inquire what were the provisions of law governing the banking business while the state of affairs existed that made those tables possible. Prior to 1837 the restrictions upon the banks amounted practically to nothing. In 1837 the legislature enacted a comprehensive statute for regulating the banks, the provisions of which may be seen in the Code of 1860, chapter 58, page 338, along with some provisions adopted between 1837 and 1860. But all of these together amounted to very little in the way of regulations. The banks, after all the regulations, were really left practically free to do about what they pleased, and when this fact is considered along with the condition of the banks in 1860, it is perhaps the most notable lesson to be drawn from the case, except one, to be hereafter commented on.

The banks were forbidden to do quite a number of trifling things, but practically no penalties were imposed for infractions of these rules. For instance, they were forbidden by section 24 to issue notes in excess of five times the amount of coin owned by them; but no penalty was provided for violation of this prohibition and an examination of the foregoing tables will show that the banks paid no sort of attention to it.

By an act passed in 1857-8, Sec. 28, etc., they were required to pay all demands upon them in

coin, and heavy penalties were imposed for failure to do this. But this act was passed after the necessity for it had gone. The banks had lived through the period when they would have had difficulty in paying coin. Notwithstanding the regulations provided by law, therefore, I repeat that banking was practically free in Virginia prior to the civil war, and that the results shown by the above tables were achieved under a system that left the management of the banks to those whose money was at stake and who, the world over, will always be found the most capable of taking care of that money.

I come now to deal with the lessons which the preceding tables teach, and the first remark I shall make is that these tables prove that successful banking does not necessarily depend upon legislation. Here is the most successful banking system that I know anything about, and it grew up, practically, without a single legislative aid. I do not mean to say that legislative prohibitions and penalties are useless, but I do mean to say that the great assurance of successful banking is the character of the bankers. I very greatly question if the interference of the lawmaker with the transactions of banking business does not produce more harm than good.

It was a wise remark of Mr. Buckle, in his work on civilization, that the most important

work of the legislator has been in undoing what some previous legislator had done.

In direct support of the proposition that successful banking does not depend upon legislation, I would call attention to the note issues of the different banks, as shown by the preceding tables. The law allowed each bank to issue five dollars of notes for each dollar of specie that it had; but see how the banks entirely ignored this authority and, in their issues, were governed by the considerations that control prudent business men. When it was safe to do so they did not hesitate to issue more than five to one; but when their experience taught them it was unsafe, they issued no more than they thought prudent. The branch of the Exchange Bank at Richmond, for instance, had out only about one dollar of notes for each dollar of coin that it owned; while the branch of the Farmers Bank at Blacksburg had out about five dollars of notes for each dollar of coin that it owned. The experience of the directors of the Exchange Bank had taught them that in a commercial city like Richmond demand was likely to be made on the bank at any moment for the redemption of every dollar of its notes; but the experience of the directors of the Farmers Bank at Blacksburg had taught them that they were perfectly safe in putting out five dollars in notes for one of specie, because Blacks-

burg was a trifling village of two or three hundred inhabitants, and the notes of the bank circulated principally in the country around, and country people are not apt to demand the redemption of bank-notes.

Reference to the Blacksburg Bank suggests another important thought that its figures show.

In the 3d chapter of this essay I shall point out that currency notes are, to a large extent, a thing of the past in localities where the agencies of commerce make checks available for business. But they remain and must remain agencies of vital importance in the agricultural districts, because checks are not adapted to the necessities of the people there.

The resources of this Blacksburg Bank were: Capital, \$60,000; surplus, \$50,000; profits, \$1,975.62, or \$111,975.62. But \$7,524.56 of this was invested in real estate, so that it really had only \$104,451.06. It created and issued \$146,274 of its notes, which, added to its resources, gave it \$250,725.06 for business purposes. It loaned out \$227,129.06, which was within \$23,596 of its entire resources for loaning, but it had \$29,555.86 of coin in its vaults, so that it had loaned out \$5,959.86 of its depositors' money. That was the condition of this bank. Its entire resources were gone except its coin and banking-house, and it had only one dollar of coin to meet every five

dollars of notes, which were liable to come down upon it at any time. This would be considered "wild-cat" banking in these days; but the men who did this were wise men, who knew exactly what they were about, and they were doing a most prosperous and a perfectly safe business.

Observe the deposit account of this bank. It was only $7,042.64. There is a deep meaning in this. As I have stated, Blacksburg was a trifling little village, but it is situated in Montgomery County—a blue grass region, and one of the most fertile in the United States. The business of the bank was all done with farmers and stock-grazers. The bank was managed by the leading citizens of the community, in whom every one had confidence. When a farmer borrowed money he did not take it in the form of a deposit on which he could check, but he took it in the form of the bank's notes, which he put into his pockets and carried home. He paid these out in the neighborhood where every one had implicit confidence in them, and they were circulated amongst the people as money; no one ever thinking of demanding coin for them.

Now this is a most significant illustration of the importance of the lawmakers leaving the banker to bank according to the conditions in which he finds himself situated. He is banking with his own money, and he is going to take

greater precautions for the safety of that money than any one else will. At the same time, if he is left unhampered he is going to give the community far greater resources and conveniences than it can ever get if his course is confined to the movements he can make inside of a legislative strait-jacket. The managers of this bank knew just what they were about. They knew the way the people around them looked at the subject, and they knew they were perfectly safe in doing business upon this extended scale. If the reports of the banks in all the other agricultural sections are examined they will all tell the same story, in a greater or less degree. Examine, for instance, the report of the Bank of Buchanan, a branch of the Bank of Virginia; of the Bank of Fairmount; of the Bank of Howardsville; of the Bank of Scottsville, and of any of the others situated in an agricultural country.

There is another interesting fact connected with Virginia banks which should be stated. When the system of independent banks came into vogue, each bank that got a charter had a provision inserted in it authorizing the bank to buy Virginia State bonds and deposit them with the treasurer of the State, who was to hold them as security for the notes that bank might issue. A specimen of this provision may be seen in the charter of the Bank of Fairmount, Acts 1850-51,

page 50. This was no doubt the inspiration of the independent banks. Accordingly the bank invested pretty nearly its whole capital in State bonds, bearing six per cent. interest, which could be bought at about par, and were tax free. This was making six per cent. net on its capital. It then issued notes to the amount of the bonds bought, and in this way doubled its capital. An examination of the reports of the independent banks will show the powerful influence of this provision on their business.

CHAPTER III

But the most important lesson that Virginia's banking system suggests is the true system of banking for the United States, and I shall now proceed to discuss that subject. No man will ever have an accurate and correct understanding of this subject unless he has first gotten a perfectly accurate idea of the true function of the dollar in business.

The free coiners of silver were deluded by two fundamental and basic errors. One was that the Government possessed some sort of magic power to give a value to metal and paper that neither one possessed—to create fiat money, in other words. The other was what is suggested by the phrase "quantative theory of money," or the idea that great quantities of tangible money—of coins and notes—are necessary to business. I shall pass by the subject of fiat money, but I wish to submit a few remarks upon the "quantative theory," which is a delusion as dangerous as the fiat-money idea.

The free coiner thinks that business is done by exchanging coin or notes for commodities, and as there are myriads of transactions in which

commodities are bought and sold, so he thinks there must be tons upon tons of coin and notes to serve the purposes of these transactions. Accordingly he thinks the population must be badly off if it is lacking in this endless quantity of coin and notes. He is absolutely wrong about this, and his delusion is a dangerous one, freighted with infinite harm.

Before entering upon a thorough analysis of this dangerous delusion, let us first ascertain just what is the dollar's true and accurate relation to business in its large sense. Although all the transactions of commerce are nominally purchase and sale of commodities, yet at bottom they are nothing but exchange of commodities. Although we hear unending noise about the sale of millions of bushels of wheat and tons upon tons of bacon, yet at bottom all that is going on is an exchange by one locality of its surplus wheat for the surplus bacon of another locality. I speak, of course, of business in its large sense, and not of retail transactions.

Let me illustrate. Jones, in the city of Richmond, Virginia, buys 10,000 pounds of cotton at 10 cents a pound—$1,000—from Thompson, of Wilmington, North Carolina. Jones sends Thompson his check on the First National Bank of Richmond for $1,000. Smith, of Wilmington, North Carolina, buys 10,000 pounds of bacon

from Dixon, of Richmond, at 10 cents a pound—$1,000—and sends him his check on the First National Bank of Wilmington in payment. Thompson deposits Jones's check in the First National Bank of Wilmington, and it sends the check on to the First National Bank of Richmond for collection; which is merely an order for the latter bank to send $1,000 in money to the Wilmington bank. On the day that check gets to the Richmond bank, Dixon deposits Smith's check in it, which was an order for the Richmond bank to send it to the Wilmington bank with direction that the Wilmington bank should send to Richmond $1,000 in money. But the Richmond bank on looking into the case asks, why go through all this tom-foolery of sending $1,000 to Wilmington and bringing $1,000 from Wilmington here? We will settle the matter thus, it says—we will take the credit on our books for $1,000 which Jones has and transfer it to the credit of Dixon and thus he will get paid for his bacon; and we will send Smith's check back to the Wilmington bank and tell it to transfer the $1,000 credit on its books that Smith has to the account of Thompson, and thus Thompson will be paid for his cotton. This is done, the transaction is closed up to the satisfaction of every one, and not a dollar of money has been used in it.

The thing at bottom was nothing but a swap of commodities (some cotton that Wilmington had no use for, for some bacon that Richmond had no use for), effected through the forms of purchase and sale, by transferring credits on the books of two banks from one man to another man. And this is commerce.

If ninety-nine transactions out of every hundred in commerce are analyzed and run down to the bottom, they will be found to be the Wilmington and Richmond transaction in effect. They will be found to be exchanges of commodities effected by the banks through the forms of purchase and sale. It may be that some communities sell more than they buy, as the South with its cotton crop, and we would naturally expect that surplus to be paid in money; but in point of fact it is not so paid. When all the transactions are rounded up it turns out that comparatively little of actual cash comes into the South beyond what is necessary to pay labor. A cotton transaction starts at Houston, Texas, and ends in an exchange of credits at Chicago, Illinois.

The all-seeing eye of commerce ranges over the whole field and makes the most surprising swaps and exchanges in all directions, and when all the transactions of the season are closed up it is found that those who have got something out of the myriads of deals have it in the form of credit

in bank on which they can draw checks, and not in the form of coin or bank-notes sent to them. The idea is well illustrated by the balance of trade between this country and the rest of the world when it is in favor of this country. That balance is sometimes hundreds of millions of dollars in our favor, yet but little of this is settled by an actual transmission of gold. A New York merchant owes $500,000 in Shanghai for tea that he has imported, and he buys $500,000 of exchange on London to pay it with. That wipes out $500,000 of the balance in favor of this country. Thousands of travelers start to Europe just as that balance is declared, and all buy exchange on London, and spend millions on millions in Europe; which wipes out that much more of the balance. Hundreds of millions of dollars of the securities of this country are held in Europe. Great sums of exchange on London are bought to pay interest and dividends on these securities, and so, when there is a final winding up, but little if any coin is sent here to pay that great balance of trade. It is all paid by the exchanges of credits by the banks on their books.

We are now in position to go on with the inquiry. What is the dollar's real relation to business? It is a very simple thing to make a swap of cotton for bacon when we get conditions similar to those in the Wilmington and Richmond trans-

action narrated above. But suppose it had not been determined that cotton was worth ten cents a pound, and that bacon was also worth ten cents a pound, how would we have got any basis on which to exchange cotton for bacon? We could not have come forward with a proposition to give 10,000 pounds of cotton for 10,000 pounds of bacon, because there would have been no adjudication that the one was of a value equivalent to that of the other.

In order to make these exchanges of commerce it is necessary that there should be a third agency through which we can value each product to be swapped, and thus determine how much of the one is to be given for a certain quantity of the other. Whatever may have been once thought, mankind is now practically agreed that this agency (or solvent, may I call it?) shall be gold. The United States takes 25 8-10 grains of gold nine-tenths fine and coins it into a disc which it calls a dollar. It could have called it a sequin, an eagle, or anything else, but it chose to call it a dollar, and it made that dollar the standard of values.

All persons interested in cotton set themselves to work to ascertain how many pounds of cotton, under the conditions of demand for and supply of cotton, were worth 25 8-10 grains of gold, under the conditions of demand for and supply of gold;

and they determined that ten pounds of cotton, under the then conditions of demand and supply, were worth 25 8-10 grains of gold, under the then conditions of demand for and supply of gold. This is the same thing as saying that one pound of cotton is worth one-tenth of 25 8-10 grains of gold; or, in other words, ten cents, since ten cents is one-tenth of a dollar; and that became fixed as the price of cotton.

Those interested in bacon did the same thing in respect to it, and ten cents a pound became fixed as the price of bacon. Of course to say that all persons interested in cotton and bacon got together and inquired into conditions and delivered judgment on them is an exaggeration. The idea intended to be presented is that the price at which the article comes to be sold is the average and summary of opinions upon the subject silently codified by the law of supply and demand. After that it was an easy thing for commerce to take on itself the exchanging of cotton for bacon, through its indirect agencies. It knew that the law of supply and demand had fixed the price of cotton at ten cents a pound and of bacon at the same. It knew that 10,000 pounds of cotton were exchangeable for 10,000 of bacon, and it went on with its business with precision and certainty.

But suppose there had been any uncertainty about the valuation of either commodity. What would commerce have done then? The Associated Press states that at a dinner in London on July 4, 1906, Mr. W. J. Bryan said, "If the United States have prospered so greatly walking on one leg, how much more greatly would they have prospered if walking on two?" He meant by this that we should have had the gold dollar as the standard of value, and the silver dollar as the standard of value also, worth only half as much as the gold dollar. But if the cotton in the case stated had been valued by the gold standard, and the bacon had been valued by the silver standard, how could they have ever been exchanged? The cotton, valued by the gold standard, would have called itself worth $1,000, and the bacon, valued by the silver standard, would have called itself worth $2,000, and how could the banks have ever exchanged them by transferring credits on their books? In such cases, with a double standard, it would be necessary in every case to state in which of the two standards the valuation of the article was expressed. It seems apparent that Mr. Bryan's idea would put the banks out of business entirely and that some new agency and scheme for conducting the operations of commerce would become necessary under it. But when what Mr. Bryan said in London is

taken in connection with all the rest that he has said upon the subject, is it not apparent that he is absolutely ignorant of the nature and function of the dollar? Lamentably, however, there are millions of voters in the United States whose ideas upon the subject correspond with Mr. Bryan's, and who are just as ignorant of the nature and function of the dollar as Mr. Bryan is; and until we can inform them of the true nature and function of the dollar the currency and credit of the country must continue subject to recurring and disastrous attacks upon them.

A hasty examination of the ideas that I have been presenting might suggest that as the great function of the dollar is to put a value upon each commodity, so that a basis at which they may be exchanged may be established, there might really be no need for anything but an ideal dollar, to be a standard of value, and therefore that the world is all wrong in its demand for a great quantity of money; but this would be a very superficial view of the case. The man who has cotton to trade for bacon does not know where the man is who has bacon to trade for cotton. It is the business of commerce to find these men and bring them together. The man with the cotton says he must have something that he can make use of after he parts with his cotton, while commerce is hunting up the man with the bacon. So commerce says

to him, "I will take your cotton and give you the money equivalent of it, and I will hold the cotton while I am hunting up the man with the bacon." It therefore gives him a credit with a bank for the value of his cotton and goes on with the hunt. The same thing happens with the man with the bacon. Vast quantities of money are necessary therefore to hold these transactions of commerce in solution while these hunts for the necessary parties to an exchange are in progress, and if coin and currency notes were necessary to the transaction the mints and the printing presses would be unable to furnish what was called for. But, luckily, coin and notes are not to any great extent necessary to these transactions; all that is necessary is bank credit which can be transferred from account to account.

Commerce requires, therefore, for its transactions vast quantities of that sort of money which bank credits furnish, but it has little need for coin or currency notes.

The free coiner is, therefore, right in claiming that business requires great quantities of money. But he is totally wrong in thinking it is coin or bank-notes or government notes that business wants. Business turns from all these. It is the sort of money that bank credits are that business wants. The one is the life of business; the other totally fails to meet the necessities of the case.

If, then, this course of reasoning is sound, the first and great use of the dollar is to measure the value of commodities so as to furnish a basis upon which they may be exchanged; after that the dollar has little more to do. The banks then take up the matter and make the exchange by transferring on their books from person to person the credit values of the commodities.

It is as a medium for valuing commodities that the dollar is indispensable, and it must always therefore be one and a fixed thing, as immutable as the yard stick, or commerce must get into inextricable confusion. As soon as the fifty-cent silver dollars got so numerous that the Government could not always give a gold dollar for a silver dollar, business must have got into the most irremediable confusion. But when valuation has been established commerce will get along very well without the dollar, by treating commodities on its books just as though they were the number of dollars that the dollar measurement shows they can be turned into.

The ideal dollar then, as a measurer of values, and the banks as the agents of commerce for making exchanges through transferring the credit values of commodities, are the great hands of commerce, through which the business of the world is done; and coin and bank-notes are mere

counters in these huge transactions which the transactions do not give even passing attention to.

But an examination into the actual condition of a bank will give us a much clearer idea of the situation. I will select for this examination the Bank of the Commonwealth at Richmond, a State bank, and an entirely imaginary one. This bank has a capital of $250,000, and $1,000,000 of deposits. It lends out every dollar of its capital and deposits except some $10,000, which it keeps on hand in coin and currency notes to meet the demands of depositors who call for actual cash. When a customer comes to this bank for a loan it never thinks of asking what cash it actually has in its vaults, or whether all its capital and deposits are already loaned out. It is going to create whatever money the customer needs, if his collateral justifies it.

The man may want $500,000, and the bank may not have $5,000 of coin and notes in its vaults, and all its capital and deposits may be loaned out, but it does not hesitate to lend him the $500,000 if his collateral is satisfactory. Its loan of the $500,000 is made to him by the bank taking possession of his collateral and opening a credit for his account on its books for $500,000. That is the whole of the transaction.

This bank always keeps about $300,000 of its loans in the form of call loans, on the very best

of collateral. This is for the purpose of providing itself with an immediate fund, in case there is a run on it for actual money. If such a thing occurs it immediately calls this $300,000, and if there is any delay about paying the call loans it calls up its correspondent in New York by telephone and arranges for it to send currency by the next morning, and, if necessary, the bank uses the collaterals at the back of its call loans for this purpose. It feels, therefore, that these call loans of $300,000 and its other resources guard it perfectly against any run on it. Its other resources consist in the fact that it is a perfectly sound bank. All that it needs at any time to deal with any situation that may confront it is a little time. It knows under modern conditions it can always get this. In the first place there are twenty other banks in Richmond, and banks are clannish—feeling that an attack on one is an attack on all. It knows therefore that if an emergency arises every other bank in Richmond will aid it as far as it can, and it has only to be tided over the first day, because it can telephone to New York for cash, and all the cash it wants will be with it next morning. Modern conditions of telephoning, telegraphy, rapid mails, and quick transportation have solved all of the banker's troubles.

Now there are two items in this bank's deposit account that I want to call attention to. One is

a loan to a citizen of Richmond of $10,000, which is secured by a mortgage on the citizen's dwelling-house, worth $15,000. The other is a loan to a tobacco merchant of $10,000 upon 100 hogsheads of tobacco which the merchant has shipped to Liverpool. When the citizen got the loan on his house all that was done was that he handed the bank the mortgage and the bank opened a credit on its books to his account of $10,000, on which he proceeded to draw checks. Here was a case of converting a brick house and lot into money without getting one cent of money, and using what he got as money without any one ever handling a dollar of money.

The other case mentioned was this: the tobacco merchant who had not credit for five dollars shipped 100 hogsheads of tobacco to his correspondent in Liverpool. He brought the bill of lading to the bank and drew on his correspondent with the bill of lading attached to the draft for $10,000. The bill of lading passed the title to the 100 hogsheads to the bank, so that it had them as security, and it accordingly placed $10,000 to the credit of the merchant, who proceeded to dispose of it by checks. Here was a case of the merchant converting 100 hogsheads of tobacco into money; but no money was used, although the merchant got every advantage that could have accrued to him had he been handed

ten thousand coined gold dollars. If the reader will consult the article in the proceedings of the Virginia Bar Association for 1905, p. 191, entitled "Lord Mansfield and His Relation to Our Laws," he will see how it became possible for this bill of lading that was outlawed to be utilized as a commercial security. It was the most far-reaching, beneficent, and important reform in our laws ever introduced into them by Lord Mansfield, one of the greatest benefactors of the human race.

What is the lesson to be drawn from these facts? It is that a bank is a veritable alchemist. It stands ready to turn all kinds of property that has value into money. It prefers personal property as the basis of its operations, because real estate transactions are slow of realization; but it will sometimes turn brick and mortar into cash. But the banks of the country stand ready to turn all the crops of the country into cash on presentation of bills of lading for them; they turn much real estate into money, and they turn the bonds and stocks and all other available property into cash; and all of this mammoth business is done by them by simply opening credits on their books, with the property pledged as collateral for the credits. They need give little thought whatever to the quantity of coin and notes they may have on hand, knowing full well that with the

telegraph, etc., they can command all the cash needed whenever they want it. They look only to the character of the security offered for the loan, and if that is satisfactory the customer gets money in the form of a credit, which answers every purpose that actual money could fulfil.

The banks then are the true mints of the country, and they are always making inconceivable amounts of perfect money by the credits they create; and stand ready at all times, if let alone, to create every dollar of money that the country needs. And they do all this without using more than a mere trifle of coin and notes. They do it by opening credits on their books and holding the property of the country as collateral for these credits. There must, of course, be a certain amount of redemption money, but the amount of this that is necessary is so small that there is no occasion for concern about it. The property that the banks hold as collateral for their loans can be always turned into actual coined dollars, if there is any necessity for coined dollars, and that is all that their business requires.

This explanation of the subject would not be complete for those who do not understand the operations of the clearing house without an illustration of such operations, of which I will give one; and all the others are the same in substance and effect.

Ladenburg, Thalman & Co. sell J. P. Morgan & Co. $1,000,000 of Union Pacific bonds for $1,000,000, and receive their check on the City National Bank for $1,000,000, which they deposit to their credit in their bank, the Chemical National. Prince & Whitely on the same day sell H. B. Hollins & Co. $1,000,000 New York Central bonds for $1,000,000, and receive their check for $1,000,000 on the Chemical National Bank, which they deposit in their bank, the City National. Next morning the representatives of all the banks meet at the Clearing House to straighten up accounts. The Chemical National says to the City Bank, "I have J. P. Morgan & Co.'s check on you to Ladenburg, Thalman & Co.'s order. Please pay it." The City Bank answers, "But I have H. B. Hollins & Co.'s check on you to the order of Prince & Whitely for $1,000,000. Now," continues the City Bank, "you take that million in your bank now standing to the credit of H. B. Hollins & Co. and place it to the credit of Ladenburg, Thalman & Co. and they will be paid, and I will take the million in my bank now standing to the credit of J. P. Morgan & Co. and place it to the credit of Prince & Whitely, and they will be paid." So this matter is closed up and the only thing that has happened is that one million of dollars of Union Pacific bonds have been swapped for one million

of dollars of New York Central bonds, and although there has been a great deal of nominal paying of debt, not a dollar of money has been used and nothing has been done but the effecting of the exchange of bonds by the transfer of their credit value upon the books of the banks. And this is the case with all the vast business transacted through the Clearing House. Nothing is done but to exchange securities and commodities through the transfer of credits on the books of the banks. It may be that when a day's clearings have been completed the City Bank will be found indebted to another bank ten millions of dollars; but if it is, it does not pay this balance with money. It pays it in a check on some other bank, and this check is not paid with money but by a settlement of balance of credits at next morning's Clearing House, when possibly the check will be handed back to the City Bank in payment of balances due to it by other banks. The whole of the transactions are exchanges of credits, and nothing else, and no actual money of any amount is used in them.

We have now arrived at a point in this discussion when actual conditions should be considered, and such suggestions as may be thought necessary for their improvement should be made.

We hear constantly of more currency being needed, and all sorts of schemes for adding to the

currency are constantly being brought forward. This claim for more currency rests upon the frequent panics with which Wall street is threatened. Men whose affairs connect them in any way with Wall street—and all the business of the country touches it in a more or less degree—watch the weekly bank statement as the weather men watch the barometer. There is undoubtedly something wrong about our currency system, and how to get it right is the practical question to be considered.

The clamor for more currency misses the mark. The commercial centers need no more currency. They use little or no currency. They do their business with checks, and use currency only to pay the bootblacks, the street-car conductors, and the petty vendors of retail articles. They have all the currency they need, and their business would be in no way increased by any addition to the currency.

Currency is needed, though, in the country. A cow-boy on the plains can make no use of a check. He wants actual cash. It may be that the country districts require that the volume of the currency should be increased, but I very much doubt it. If, however, the banks were perfectly untrammelled, they would soon find out whether the country districts need more, and, if they do,

the banks would soon supply all that was called for.

What the country needs is the removal of all restrictions upon the banks and freedom to them to deal with all cases as the emergency of each case requires that it shall be dealt with.

The National-Banking Act is full of restrictions upon the banks which produce no valuable results, but embarrass the banks in all times of trouble. If I might specify what I consider the most injurious of these restrictions, I would name the provision which requires a National bank to keep always on hand a certain proportion of its deposits as a reserve, and the provision which forbids it to lend more than ten per cent. of its capital to any one person, or firm. The first of these provisions compels the banks of New York City to stand idly by with plenty of funds on hand and see a panic grow up, which they could nip in the bud if they were free to deal with their assets as business men ought to be free to deal with such.

One of the soundest State banks in Virginia, with a capital of $500,000 and $100,000 surplus, and deposits of $2,000,000, lends out every dollar of both but about $15,000 of coin and notes that it keeps to meet current demands. It has always from $500,000 to $600,000 on call, on the best collateral, and it never troubles its head about

coin and notes; knowing well it can meet whatever emergency may arise. All the other State banks, if looked into, would probably be found to be doing business in the same way.

The second restriction equally disqualifies the banks to handle incipient panics as they could handle them if they were free. The single firm of J. P. Morgan & Co. could probably end an incipient panic if the National banks were free to lend it as much money as that firm asked for; and why should they not be free to do it? If that firm goes to the City Bank of New York with $110,000,000 of government bonds and asks for a loan of $100,000,000, why should the bank not be free to lend that amount to it? All that it does is to take the bonds and open a credit on its books for that amount. With this credit that firm could probably stop the panic, and the bank would be perfectly safe in making the loan, and no one else would be denied a dollar because that enormous loan was made to that house. The banks would still create credits for each succeeding applicant that came forward with good collateral.

It may be argued that if the bank had lent out all of what it is now required to keep as a reserve that it would hesitate about lending Morgan & Co. $100,000,000, because it would have no cash reserve against it; but that could be met

by making the bank perfectly free and easy in issuing its own notes. I do not mean that it should be allowed to issue them without putting up government bonds; but a scheme could easily be contrived by which the City Bank could issue $100,000,000 of notes any evening, with government bonds at their back also.

Panics all start in Wall street, New York, and if they are crushed out as soon as they appear there the country is never hurt by them. I venture to make the following suggestions for a quick issue of emergency currency to meet an incipient panic in New York, by being a reserve for credits granted. The Government will keep on deposit at the subtreasury in New York $500,000,000 of its bonds, payable without interest. A bank which wants to keep itself prepared to issue emergency currency will keep on deposit with the subtreasury as many of its notes fully executed and ready for issue as it may think it will want to issue; the Government guaranteeing the bank against loss by any of its notes being improperly issued. The Secretary of the Treasury is given power to send any order from Washington to the subtreasury at New York by telephone or telegraph that he could give by writing. The City Bank wants to issue $5,000,000 of its notes to-morrow morning. It goes to the subtreasury and asks for this amount, and asks

that \$5,000,000 of the Government's bonds be placed to its credit as security for the notes. The subtreasury telephones the Secretary of the Treasury and asks him what he must require the City Bank to put up as security to the Government for this loan of \$5,000,000 of its bonds. The Secretary asks him what securities the City Bank can put up. He replies that it can put up \$5,000,000 of Government bonds, and the Secretary answers to accept them and close the transaction. Or he telephones the Secretary that the City Bank can put up \$2,000,000 of bonds of the City of New York, \$1,500,000 first mortgage bonds of the Pennsylvania Railroad Company, and \$1,500,000 first mortgage bonds of the New York Central Railroad Company. The Secretary telephones him to accept them and close the transaction, and the City Bank has \$5,000,000 of currency for next morning's operations. It will also be provided that if the Government has to sell its bonds to make the currency good, they shall be converted into two per cent. coupon bonds. It may be said that the banks wishing to take out this emergency currency may not always have on hand such securities as would be satisfactory to the Government. But the bank can always arrange with the party wishing to borrow, for the use of a part of the collaterals he

is going to put up as security for the loan he wishes to get. It is of no consequence to that borrower where the bank keeps his securities. It is the same thing to him whether it keeps them in its vaults or in the vaults of the subtreasury. He is perfectly safe. He has the bank's money and he will not return it until the bank returns him his securities; and the bank could have an agreement with him that it might return any other securities of the same kind.

But the currency put out in these emergencies may make more than the normal amount of currency, so measures should be taken to secure its cancellation when the emergency is over. It should therefore be provided that unless this currency is returned within six weeks a small tax will be imposed upon the bank issuing it. But the bank need not return the identical notes issued in the emergency. It may return any of its notes and get its bonds down. In these days of telephones and telegraphs a bank can soon hunt up as many of its notes as were issued in the emergency. Of course the bank may convert this emergency currency into permanent currency if it prefers to do so by complying with the law as it now stands.

These notes would serve as a reserve, and even in a panic nine men in ten would take the City

Bank's notes when calling for cash because they are secured by government bonds. But to the few that demanded legal tender the bank could offer silver dollars. The counting and removal of these would soon end a senseless panic, and in this way the silver dollar could actually be made useful. The Government should keep $100,000,000 of silver in the subtreasury at New York which the banks could always exchange greenbacks or bank-notes for, returning the silver and getting the notes back.

It may be said that the banks do not in practice pay any attention to either of the two prohibitions that I am discussing, but in the nature of the case they can not help paying attention to them. Undoubtedly they do lend below the legal reserve, and undoubtedly they do lend more than ten per cent. of their capital to one man; but they know that they are violating the law whenever they do either, and that a bank examiner may come down upon them at any moment and catch them *in flagrante delicto.*

In covertly violating the law in this way they are acting very differently from the way they would act if left with a perfectly free hand. If perfectly free they would, in every case, through credits raised on their books, create all the money that was wanted.

All that is needed, therefore, to make our banking system meet every demand is to maintain the single standard and to repeal the pernicious restrictive provisions of the National-Banking Act, and leave the banking business as free as the hotel business is, or as the dry goods business is, and panics will be ended and the country will have all the money it can possibly use.